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UNCLAS SECTION 01 OF 02 ASUNCION 000412

SIPDIS

STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR SCRININ AND LYANG
NSC FOR KIM BREIER
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [PINR](#) [SNAR](#) [KCRM](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, MARCH 19-23

REF: A. ASUNCION 385

[1](#)B. ASUNCION 226

[1](#)C. ASUNCION 179

[1](#)1. SUMMARY:

-- Colorado Deputy Colman Stripped of Immunity; Will Face Investigation
-- GOP Sells Brazilian Trafficker's Seized Assets
-- Crockett and Tubbs in Ciudad del Este?
-- Continued Crack Down in TBA Affects Local Economy

Colorado Deputy Colman Stripped of Immunity; Will Face Investigation

[1](#)2. On March 22, almost unanimously the Chamber of Deputies voted in favor of stripping Congressional immunity from Colorado Deputy Julio Colman, who was embroiled in a scandal in early February involving a suspect load of timber and threats to a prosecutor (refs A and B), allowing prosecutors to investigate and possibly prosecute Colman for his misconduct. Earlier that day, President Duarte caused a last minute scramble among key Colorado legislators, set to back Colman, by announcing that he would support lifting Colman's immunity, a change from his previous statements of support for the Colorado Deputy. The about face by the President and Colorado legislators came under intense public pressure to take action in this case of very public abuse of authority and scandalous behavior.

GOP Sells Brazilian Trafficker's Seized Assets

[1](#)3. Seized assets from arrested Brazilian drug trafficker Claudair Lopes de Faria were sold yesterday in a public auction in which his home furnishings, real estate, and an airplane grossed 1.1 billion Guaranis (USD 171,000). The revenue will fund programs in the Supreme Court, the National Counterdrug Secretariat (SENAD), the Prosecutor's office, and several non-profit organizations. Paraguayan authorities arrested Lopes de Faria in June 2003 and expelled him to Brazil where he was sentenced to 480 years in prison for narcotics trafficking, according to press.

Crockett and Tubbs in Ciudad del Este?

[1](#)4. Director Michael Mann (creator of the TV series) and Producer Jan Pieter Brugge, currently working on the big screen version of "Miami Vice," made headlines across Paraguay this week. Mann and his team are contemplating filming part of the movie in Ciudad del Este. They met with the Ambassador, Ciudad del Este officials, and GOP leaders such as Presidential Economic Advisor Walde and Minister of Tourism Evanhy Gallegos. While most media and officials met the prospect of a Universal Studios production being filmed in Paraguay with enthusiasm, the Ciudad del Este correspondent for leading daily "ABC Color" originally painted the movie as bad for the city's image, since it might link the city to terrorism. Mann and his team countered the bad press head-on with a major interview in the same daily, with a correspondent recommended by PAS Asuncion, in which the full benefit to Paraguay was explained and the allegation that the movie dealt with terrorism in Ciudad del Este forcefully dispelled. The article even went so far as to apologize for the misinformation printed earlier.

Continued Crack Down in TBA Affects Local Economy

[1](#)5. Increased customs and immigrations enforcement on the Friendship Bridge, connecting Ciudad del Este and Foz Do

Iguacu, Brazil to target piracy and contraband (ref C) has greatly affected the local economy in Ciudad del Este. Javier Zacarias Irun, Ciudad del Este mayor, told the press that Paraguay's losses from the imposed restrictions amounts to USD 11 million and Paraguayan Customs Director Margarita Diaz Vivar revealed to the press that Brazil's control measures are also affecting Paraguay's ability to collect tax revenue in the region. Local shop owners in Ciudad del Este have threatened massive layoffs of illegally employed Brazilian nationals in reaction to the enforcement efforts.

16. Separately, Brazilian Political Counselor and Customs Attach told PolOffs in a meeting on March 22 that the crackdown on IPR violations and smuggling was a permanent government-wide policy, not a month-long exercise like that conducted in previous years over the December holiday season. They pointed out though, that the Friendship Bridge is not their highest priority as smuggling problems are worse along the "dry" borders in Pedro Juan Caballero and Salto de Guaira. The Brazilians also noted to PolOffs that there was a certain momentum to increase the customs exemption for Brazilian citizens returning from shopping excursions in Ciudad del Este from the present US\$150, but said that it was not likely to go as high as the US\$500 that many are seeking. In addition, the Brazilians mentioned that this exemption would only apply to items for personal use, not to commercial imports. Brazilian Ambassador told Ambassador Keane on March 23 that a Paraguayan-Brazilian working group would meet on March 31 to discuss ways to ameliorate the negative effects; he stressed however, that the crackdown on smuggling and other crimes in TBA would be sustained and increase.

KEANE